Council of the European Union

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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	COUNCIL RECOMMENDATION endorsing the national medium-term fiscal-structural plan of Slovakia

COUNCIL RECOMMENDATION

endorsing the national medium-term fiscal-structural plan of Slovakia

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121 thereof,

Having regard to Regulation (EU) 2024/1263, and in particular Article 17 thereof,

Having regard to Regulation (EU) No 1176/2011, in particular Article 8(1) thereof,

Having regard to the recommendation from the Commission, Whereas:

GENERAL CONSIDERATIONS

(1) A reformed EU economic governance framework entered into force on 30 April 2024. Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance[1], together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure[2], and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States[3] are the core elements of the reformed EU economic governance framework. The framework aims at promoting sound and sustainable public finances and sustainable and inclusive growth and resilience through reforms and investments, and preventing excessive government deficits. It also promotes national ownership and has a greater medium-term focus, combined with more effective and coherent enforcement of the rules.

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1 Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

2 Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

3 Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

(2) The national medium-term fiscal-structural plans that Member States submit to the Council and to the Commission are at the centre of the new economic governance framework. The plans are to deliver on two objectives: i) ensuring that, inter alia by the end of the adjustment period, general government debt is on a plausibly downward trajectory, or stays at prudent levels, and that the government deficit is brought and maintained below the reference value of 3% of GDP over the medium term, and ii) ensuring the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the EU. To that end, each plan is to present a medium-term commitment to a net expenditure[4] path, which effectively establishes a budgetary constraint for the duration of the plan, covering four or five years (depending on the regular term of legislature in a Member State). In addition, the plan should explain how the Member State will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations (including those pertaining to the macroeconomic imbalances procedure (MIP), if applicable), and how the Member State will address the common priorities of the Union. The period for fiscal adjustment covers a period of four years, which may be extended by up to three years if the Member State commits to delivering a set of relevant reforms and investments that satisfies the criteria set out in Regulation (EU) 2024/1263.

(3) Following the submission of the plan, the Commission is to assess whether it complies with the requirements of Regulation (EU) 2024/1263.

(4) Upon a recommendation from the Commission, the Council is to then adopt a recommendation to set the net expenditure path of the Member State concerned and, where applicable, endorses the set of reform and investment commitments underpinning an extension of the fiscal adjustment period.

[4] Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, viz. government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union programmes fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure and (vi) one-offs and other temporary measures.

CONSIDERATIONS CONCERNING THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLAN OF SLOVAKIA

(5) On 15 October 2024, Slovakia submitted its national medium-term fiscal-structural plan to the Council and to the Commission. The submission took place following an extension of the deadline set out in Article 36 of Regulation (EU) 2024/1263, as agreed with the Commission in view of the reasons provided by Slovakia.

Process prior to the submission of the plan

(6) To frame the dialogue leading to the submission of national medium-term fiscal-structural plans, on 21 June 2024 the Commission sent, according to Article 9 of Regulation (EU) 2024/1263, the reference trajectory5 to Slovakia. The Commission published the reference trajectory on 15 October 2024[6]. The reference trajectory is risk-based and ensures that, by the end of the fiscal adjustment period and in the absence of further budgetary measures beyond the adjustment period, general government debt is on a plausibly downward trajectory or stays at prudent levels over the medium term, and the general government deficit is brought below 3% of GDP over the adjustment period and is maintained below that reference value over the medium term. The medium term is defined as the ten-year period after the end of the adjustment period. In accordance with Articles 6, point (d), 7 and 8 of Regulation (EU) 2024/1263, the reference trajectory is also consistent with the deficit benchmark, the debt sustainability safeguard and the deficit resilience safeguard. The reference trajectory of Slovakia sets out that, based on the Commission's assumptions underpinning the prior guidance transmitted in June 2024 and assuming a 4-year adjustment period, net expenditure should not grow by more than the values provided in Table 1. This corresponds to average net expenditure growth of 2.0% over the adjustment period (2025–2028).

5 Prior guidance transmitted to the Member States and Economic and Financial Committee includes trajectories without and with an extension of the adjustment period (covering 4 and 7 years, respectively). It also includes the main initial conditions and underlying assumptions used in the Commission's medium-term government debt projection framework. The reference trajectory was calculated on the basis of the methodology described in the Commission's *Debt Sustainability Monitor 2023* (https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en). It is based on the European Commission Spring 2024 Spring Forecast and its medium-term extension up to 2033, and long-term GDP growth and ageing costs are in line with the joint Commission-Council *2024 Ageing Report* (https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en).

6 https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-medium-term-fiscal-structural-plans_en#slovakia.

Table 1: Reference trajectory provided by the Commission to Slovakia on 21 June 2024

	2025	2026	2027	2028	Average 2025–2028
Maximum net expenditure growth (annual, %)	2.8	2.0	1.6	1.5	2.0

Source: Commission's calculations.

(7) In line with Article 12 of Regulation (EU) 2024/1263, Slovakia and the Commission engaged in a technical dialogue from June to September 2024. The dialogue centred on the net expenditure path envisaged by Slovakia and its underlying assumptions (in particular a backloaded fiscal adjustment in 2026 explained by defence investment and national co-financing of EU-funded grants), as well as the envisaged delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and the common priorities of the Union in fair green and digital transition, social and economic resilience, energy security and the build-up of defence capabilities.

(8) In September and October 2024, in line with Article 11(3) and 36 (1), point (c) of Regulation (EU) 2024/1263, according to the information provided by Slovakia in its plan, the national medium-term fiscal-structural plan was discussed at the Economic and Social Council, which includes trade unions, the employers' union, the employers' association, and municipalities of Slovakia.

Other related processes

(9) On 26 July 2024, the Council established the existence of an excessive deficit in Slovakia due to non-compliance with the deficit criterion[7]. The present Recommendation coincides with the Council Recommendation under Article 126(7) TFEU with a view to bringing an end to the situation of an excessive government deficit in Slovakia[8]. The simultaneous adoption of those recommendations, which is tailored to and justified by the transition to the new economic governance framework, ensures consistency between the recommended adjustment paths.

(10) On 15 October 2024, Slovakia submitted its Draft Budgetary Plan for the year 2025. The Commission adopted an opinion on this Draft Budgetary Plan on 26 November 2024[9].

(11) On 19 June 2024, the Commission concluded that Slovakia is experiencing macroeconomic imbalances. In particular, Slovakia faces vulnerabilities related to cost competitiveness, external balance, housing market and household debt[10].

(12) On 21 October 2024, the Council addressed to Slovakia a series of CSRs in the context of the European Semester[11].

SUMMARY OF THE PLAN AND THE COMMISSION'S ASSESSMENT THEREOF

(13) In line with Article 16 of Regulation (EU) 2024/1263, the Commission assessed the plan as follows:

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7 OJ L, 1.8.2024, ELI: https://eur-lex.europa.eu/eli/dec/2024/2129/oj.

8 Recommendation for a Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Slovakia, 26.11.2024, COM(2024)958 final.

9 Commission Opinion on the Draft Budgetary Plan of Slovakia, 26.11.2024, C(2024) 9065 final.

10 'Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank', COM (2024) 600 final, Appendix 4.

11 Council Recommendation of 21 October 2024 on economic, budgetary, employment and structural policies of Slovakia.

Context: macroeconomic and fiscal situation and outlook

(14) Economic activity in Slovakia grew by 1.4% in 2023, because of the decline in private and public consumption. According to the European Commission Autumn 2024 Forecast, the economy is expected to grow by 2.2% in 2024, due to robust private consumption but weaker export demand. In 2025, real GDP is set to increase by 2.3%, driven by private consumption and investment. In 2026, real GDP is expected to increase by 2.5%, due to robust private consumption and positive net exports. Over the forecast horizon (i.e., 2024–2026), potential GDP growth in Slovakia is expected to experience a modest decline, from 2.3% in 2024 to 2.2% by 2026. The unemployment rate stood at 5.8% in 2023 and is projected by the Commission to amount to 5.5% in 2024, 5.3% in 2025 and 5.1% in 2026. Inflation (GDP deflator) is projected to decrease from 10.1% in 2023 to 4.4% in 2024 and forecast to reach 3.8% in 2025 and 2.8% in 2026.

(15) Regarding fiscal developments, in 2023 Slovakia's general government deficit amounted to 5.2% of GDP. According to the European Commission Autumn 2024 Forecast, it is set to reach 5.8% of GDP in 2024 and to decline to 4.7% of GDP in 2025 and, on a no-policy change basis, to 4.1% in 2026. The European Commission Autumn 2024 Forecast includes Slovakia's draft budget for 2025, that the government proposed to the national parliament in October. General government debt was 56.1% of GDP at end-2023. According to the European Commission Autumn 2024 Forecast, the debt ratio is expected to increase to 58.9% of GDP at end-2024. It is projected to increase to 59.8% of GDP at end-2025 and 61.8% at end-2026. The fiscal projections by the Commission do not consider the policy commitments in the medium-term plans as such until they are underpinned by credibly announced and sufficiently specified concrete policy measures.

Net expenditure path and main macroeconomic assumptions in the plan

(16) Slovakia's national medium-term fiscal-structural plan covers the period 2025–2028 and presents a fiscal adjustment over four years.

(17) The plan contains all information required by Article 13 of Regulation (EU) 2024/1263.

(18) The plan commits to the net expenditure path indicated in Table 2, corresponding to average net expenditure growth of 2.0% over the years 2025-2028. The average net expenditure growth reported in the plan over the adjustment period (2025–2028) is equal to[12] the reference trajectory transmitted by the Commission on 21 June 2024. The plan assumes potential GDP growth to decrease gradually from 2.4% in 2025 to 1.4% in 2028. In addition, the plan expects the growth rate of the GDP deflator to decrease from 4.6% in 2024 to 3.2% in 2025, and then to 2.9% in 2028.

Table 2: Net expenditure path and main assumptions in Slovakia's plan

	2024	2025	2026	2027	2028	Average over the period of validity of the plan 2025–2028
Net expenditure growth (annual, %)	6.2	3.8	0.9	1.6	1.5	2.0
Net expenditure growth (cumulative, %)	6.2	10.3	11.2	13.0	14.8	n.a.
Potential GDP growth (%)	2.3	2.4	1.7	1.4	1.4	1.7
Inflation (GDP deflator growth) (%)	4.6	3.2	3.1	3.0	2.9	3.1

Source: Medium-term fiscal-structural plan of Slovakia and Commission calculations.

12 The difference is not visible due to rounding.

Implications of the plan's net expenditure commitments for general government debt

(19) If the net expenditure path committed to in the plan and the underlying assumptions materialise, general government debt would, according to the plan, gradually increase from 58.5% in 2024 to 62.1% of GDP in 2027, before beginning to decline to 61.4% at the end of the adjustment period (2028), as per the following table. The Treaty reference value of 60% of GDP is expected to be exceeded for the first time in 2026, at the level of 61.6% of GDP, and remain above the reference value for the outer years of the adjustment period. Thereafter, over the medium term (i.e. until 2038), the debt ratio is expected to gradually decrease according to the plan, to 54.8% of GDP by 2038.

Table 3: General government debt and balance developments in Slovakia's plan

	2023	2024	2025	2026	2027	2028	2038
Government debt (% of GDP)	56.0	58.5	59.8	61.6	62.1	61.4	54.8
Government balance (% of GDP)	-4.9	-5.9	-5.1	-3.9	-2.9	-1.8	-2.3

Source: Medium-term fiscal-structural plan of Slovakia:

Thus, according to the plan, general government debt would be brought below the Treaty reference value of 60% of GDP over the medium term. This is plausible based on the plan's assumptions, as debt would be projected to stand below 60% of GDP by 2038 under all deterministic stress tests of the Commission's Debt Sustainability Analysis. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for debt as set out in Articles 6, point (a), and 16(2) of Regulation (EU) 2024/1263.

Implications of the plan's net expenditure commitments for the general government balance

(20) Based on the plan's net expenditure path and assumptions, the general government deficit is expected to reach 5.9% of GDP in 2024 and to gradually decrease to 1.8% in 2028. The deficit is expected to return to below 3% of GDP in 2027, with 2.9% of GDP. Thus, according to the plan, the general government balance would not exceed the 3% of GDP reference value at the end of the adjustment period (2028). In addition, in the ten years following the adjustment period (i.e. until 2038), the government deficit would not exceed 3% of GDP. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for the deficit as set out in Articles 6, point (b), and 16(2) of Regulation (EU) 2024/1263.

Time profile of the fiscal adjustment

(21) The time profile of the fiscal adjustment, measured as the change in the structural primary balance, as described in the plan, is backloaded compared to the default linear path referred to as a rule under Article 6, point (c), of Regulation (EU) 2024/1263. In 2025, the fiscal adjustment of the structural primary balance is 0.8 pps., which is 0.5 pps. less than the average annual adjustment over the plan's horizon. The less ambitious fiscal adjustment in 2025 is explained by a postponed delivery of military investments from previous years, amounting to 0.4% of GDP in 2025. The adjustment is thus backloaded to 2026, when the planned adjustment in structural primary balance is planned to be 0.5 pps. higher than the average annual adjustment. In 2027 and 2028, the adjustment in structural primary balance terms is linear." Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the no-backloading safeguard clause set out in Articles 6, point (c), and the transitional provision in Article 36(1), point (e), of Regulation (EU) 2024/1263.

Table 4: Structural primary balance developments in Slovakia's plan

	2023	2024	2025	2026	2027	2028
Structural primary balance (% of GDP)	-3.5	-4.3	-3.5	-1.7	-0.3	1.0
Change in structural primary balance (pps.)	n.a.	-0.8	0.8	1.8	1.3	1.3

Source: Medium-term fiscal-structural plan of Slovakia:

Consistency with the excessive deficit procedure

(22) The net expenditure path set out in the plan is in line with the requirements under the excessive deficit procedure (in particular with the minimum annual structural adjustment established in Article 3(4), third subparagraph of Council Regulation (EC) 1467/97).

Consistency of the plan with the deficit resilience safeguard

(23) The requirement of the preventive arm set out in Article 8 of Regulation (EU) 2024/1263 regarding the deficit resilience safeguard, which aims to provide a common margin relative to the deficit reference value of 3%, applies to Slovakia as of 2028, as the deficit is planned to be below 3% of GDP as of 2027. In 2028 the annual adjustment in the structural primary balance should therefore not be less than 0.4% of GDP if the structural deficit remained above 1.5% of GDP in 2027, to achieve a common resilience margin in structural terms of 1.5% of GDP. The fiscal adjustment that results from the plan's policy commitments and macroeconomic assumptions is 1.3% in 2028. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the deficit resilience safeguard.

Consistency of the plan with the debt sustainability safeguard

(24) According to the plan, general government debt will be between 60% and 90% of GDP in 2026, 2027 and 2028. However, as according to the plan the government deficit would go below 3% of GDP in 2027, which would result in an abrogation of the decision establishing the existence of an excessive deficit in the final year of the adjustment period, the debt sustainability safeguard does not apply during the period covered by the plan.

Macroeconomic assumptions of the plan

(25) The plan is based on a set of macroeconomic and fiscal assumptions that is in line with the Commission's assumptions transmitted to Slovakia on 21 June 2024. It takes into account additional available information compared to the reference trajectory and includes accordingly updated macro and fiscal indicators. The impact of this update does not significantly affect the average net expenditure growth in the plan compared to the reference trajectory.

Fiscal strategy of the plan

(26) According to the indicative fiscal strategy in the plan, the commitments on net expenditure will be delivered mainly through discretionary revenue increases. The plan presents measures representing one third of the targeted amount, while the remaining two thirds will be specified in subsequent annual budgets. The planned fiscal consolidation in 2025 is based on the planned revenues-increasing and expenditures-decreasing measures included in the 2025 draft budgetary plan. It includes an increase in value added taxes, corporate tax and excise duty on tobacco products, new taxes on financial transactions for businesses, as well as new excise duties on sweetened beverages and non-tobacco products. On the expenditure side, these measures include a winding down of existing support measures related to high energy prices, and cutting public sector wages. The discretionary revenue increases amount to 1.6% of GDP, while expenditure reductions amount to 0.6% of GDP. However, Slovakia also plans to increase expenditure by 0.6% of GDP, resulting in a net consolidation of 1.6% of GDP.

(27) The precise specification of the relevant policy measures is to be confirmed or adjusted and quantified in the annual budgets. At the same time, some risks remain with respect to the implementation of the indicative fiscal strategy in the plan. These risks arise from the fiscal adjustment being based primarily on discretionary revenue increases. The burden of the strong consolidation effort is skewed towards households and firms as opposed to the government. Such a consolidation strategy may result in additional macroeconomic effects, with potential fiscal consequences. In particular, a tax-driven consolidation entails the fiscal risk of a lower tax revenue collection than assumed in the plan. The Draft Budgetary Plan for 2025 specifies the policy measures through which the net expenditure commitment for 2025 will be achieved[13].

Reform and investment intentions in the plan responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union

(28) The plan describes policy intentions concerning reforms and investments to respond to the main challenges identified in the context of the European Semester, especially the CSRs, including those pertaining to the MIP, and to address the common priorities of the EU. Specifically, the plan includes 18 reforms and 11 investments, of which 18 are financially supported by the Recovery and Resilience Facility and 1 also by the cohesion policy funds.

[13] See Commission Opinion on the Draft Budgetary Plan of Slovakia, 26.11.2024, C(2024) 9065 final.

(29) Concerning the common priority of a fair green transition, including the climate objectives set out in Regulation (EU) 2021/1119, the plan presents the modernisation of low-carbon transport infrastructure, included in the recovery and resilience plan (RRP), whose objective is to increase the length of the reconstructed or modernised clean rail infrastructure. This measure intends to address the 2019, 2020, 2022 and 2023 (CSRs) on sustainable public transport and reduction of fossil fuels dependency. Additionally, the plan includes (under the RRP), projects aimed at addressing the challenges of the green transition through the launch of thematic calls aligned with the priorities of Horizon Europe. This investment responds to the CSRs addressed to Slovakia in 2019, 2020, 2022 and 2023 on reducing the reliance on fossil fuels, promoting the green transition and focusing investments on research and innovation. The plan presents also other green transition measure covered by the RRP, such as a reform of the electricity market, an amendment to the Waste Act, both already implemented, and the Nature Protection Act and Water Act. To boost a fair digital transition, Slovakia included measures such as an electronic invoicing system and improved electronic services for the financial administration. These measures aim at addressing tax evasion and promoting a client-centred approach. These are directly linked to CSRs advocating a strengthening of tax compliance and digitalisation of tax administration, addressed to Slovakia in 2022, 2023 and 2024. The plan also includes an investment in research and innovation to support the digitalisation of the economy (under the RRP), which intend to address 2019, 2020, and 2024 CSRs on supporting research, innovation, and competitiveness. Additionally, it includes a reform to establish a centralised platform for the public procurement of IT resources (under the RRP), helping to address CSRs in 2019 and 2020 on digital infrastructure and quality public services.

(30) Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, the plan includes several measures. To contribute to social resilience, a more targeted tax credit is being implemented, supporting families with children with a particular focus on low-income households. This measure intends to address the CSRs in 2022, 2023 and 2024 to improve the effectiveness of public spending and making the tax mix more supportive of inclusive and sustainable growth. Social resilience is coupled with energy transition in the investment concerning home renovation for energy poor households aiming to increasing the number of renovated homes for people at risk of energy poverty, which intend to address the CSRs of 2019, 2020, 2022 and 2023. Additionally, Slovakia has included a reform to strengthen the inclusion and desegregation in education as part of a new legislative package of school laws, and thus intending to address the 2019, 2020 and 2024 CSRs on improving the quality and inclusiveness of education, especially for children from disadvantaged backgrounds. Other measures improving social resilience include the completion of kindergarten capacities (under the RRP), the definition of special education needs and preparation of methodological materials (under the RRP), the curricular reform in primary education (under the RRP), all intend to address 2019, 2020 and 2024 CSRs on improving the quality and inclusiveness of education, enhancing access to affordable childcare and promoting integration of disadvantaged groups. Measures addressing economic resilience entail the development of an Industrial Policy of the Slovak Republic for 2027–2035, which intend to address CSRs in 2019 and 2024 on the need to enhance competitiveness. Furthermore, Slovakia included a reform of the governance, evaluation and support in science, research and innovation (under the RRP), and an investment supporting the cooperation between companies, academia and R&D organisations, both intend to address similar 2019, 2020 and 2024 CSRs on supporting research and innovation, and enhancing competitiveness. Finally, to deliver on the 2019, 2023 and 2024 CSRs related to the macroeconomic vulnerabilities that the country is experiencing in relation to the housing market, Slovakia aims to amend the Building Act, to streamline construction procedures and expand rental housing availability. It aims also at implementing the Act on State Support for Public Housing to increase access to affordable rental options.

(31) Concerning the common priority of energy security, the plan includes a reform on developing legislative proposals for the efficient implementation of hydrogen technologies, in line with the EU's requirements and national priorities, being the Action Plan for a National Hydrogen Strategy included in the REPowerEU chapter of the RRP. This reform intends to address the CSRs that Slovakia received in 2020, 2022 and 2023 on reducing the overall reliance on fossil fuels. Furthermore, through the construction of new renewable electricity sources (under the RRP), Slovakia aims to generate 122.4 MW of new electricity. This investment intends to address the 2020, 2022 and 2023 CSRs recommending accelerating the deployment of renewables. Furthermore, Slovakia has included an investment (under the RRP) to modernise the distribution energy systems, with a view to facilitating the procedures for connecting renewables to the grid, and thus intending to address CSRs in 2020, 2022 and 2023.

(32) Concerning the common priority of defence capabilities, the plan includes a measure to implement selected projects, which notably include the development of wheeled armoured vehicles 8x8 and of a medium-range air defence system, as part of the Ministry of Defence's long-term development plan by 2035.

(33) In addition, the plan includes a policy measure to replace the existing parental pension with a mechanism allowing for the reimbursement of part of the tax paid to parents that intends to address the 2019 and 2024 CSRs on the need to preserve the sustainability of public finances and reduce costly spending measures. Additionally, a measure to reduce the number of civil servants and public sector employees by 5,000 between 2025 and 2027 will contribute to curb public expenditure (2024 CSR). On top of this, the plan also contains a reform on the central hospital management system (under the RRP), which intends to address 2019 and 2020 CSRs related to the sustainability of public finances regarding the health sector and the need to strengthen the resilience of the health sector; a reform on the introduction of the new court network (under the RRP), which intends to respond to 2019 and 2020 CSRs related to the effectiveness of the judicial system, and a measure on the establishment of shared service centres (under the RRP) to improve the efficiency of essential public services, which intends to address 2020 and 2024 CSRs on improving the quality of public services.

(34) The plan provides information on the consistency and, where appropriate, complementarity, with the cohesion policy funds and Slovakia's RRP. Specifically, the plan includes an investment, contained in the RRP (investment 4 of component 16), establishing shared service centres increasing the efficiency and accessibility of essential public services. Funding for the personnel capacities of the shared services centres will be secured through a call financed by the cohesion policy funds.

(35) The plan provides an overview of the public investment needs of Slovakia regarding the common priorities of the EU. Regarding the common priority of a fair green and digital transition, including consistency with the European Climate Law, measures include increasing energy efficiency across all sectors and substituting the use of fossil fuels with more sustainable alternatives, channelling investments into nuclear, solar and wind power. Investment needs moreover focus on improving the access and use of digital government services, in accordance with Slovakia's National Digital Decade Strategic Roadmap. To ensure social and economic resilience, Slovakia plans to gradually increase public expenditure into research and development by 2030. To increase energy security, Slovakia acknowledges the need to diversify imports of different types of raw materials as a medium-term investment solution by building new interconnections and invest in renewable energy sources and nuclear power in the long-term. Finally, in order to ensure security, fulfil NATO and EU commitments and maintain regional stability, the investment in defence modernisation projects continues in the country, with the primary objective of providing new and modern military equipment fully compatible with that of NATO member countries. The plan includes an increase in defence spending to achieve a target of 2% of GDP alignment with NATO commitments.

Conclusion of the Commission's assessment

(36) Overall, the Commission is of the view that Slovakia's plan fulfils the requirements of Regulation (EU) 2024/1263.

OVERALL CONCLUSION OF THE COUNCIL

(37) The Council welcomes the medium-term fiscal-structural plan of Slovakia and considers that its full implementation would be conducive to ensuring sound public finances and supporting public debt sustainability as well as sustainable and inclusive growth.

(38) The Council takes note the Commission's assessment of the plan. However, the Council invites the Commission to present its assessment of future plans in a separate document from the Commission recommendations for Council recommendations.

(39) The Council takes note of the Commission assessment of the net-expenditure path and the main macroeconomic assumptions in the plan, including in relation to the prior guidance by the Commission, as well as the implications of the plan's net expenditure path for government deficit and debt. The Council takes note of the Commission assessment that the macroeconomic and fiscal assumptions, while differing in some instances from the Commission's assumptions, including to cater for updated macroeconomic and fiscal data, are overall duly justified and underpinned by sound economic arguments. The Council takes note of the broad fiscal strategy of the plan and the risks to the outlook, which could affect the materialisation of the macroeconomic scenario and the underlying assumptions and the delivery of the plan's net expenditure path. In particular, the Council also welcomes that relevant stakeholders were engaged with at the national level prior to the submission of the plan. The Council also notes that geopolitical risks may put pressure on defence expenditures.

(40) The Council expects Slovakia to stand ready to adjust its fiscal strategy as needed to ensure delivery of its net expenditure path. The Council resolves to monitor closely economic and fiscal developments, including those underlying the scenario of the plan.

(41) The Council considers that further discussions to find a common understanding on the annual surveillance implications of the cumulative net-expenditure growth rates is warranted in time for the next round of fiscal surveillance.

(42) The Council takes note of the Commission description of the reforms and investment needs and intentions, responding to the main challenges identified in the context of the European Semester, and stresses the importance of ensuring the delivery of such reforms and investments. The Council will, on the basis of reports submitted by the Commission, assess such reforms and investments and monitor their implementation within the framework of the European Semester.

(43) The Council looks forward to the annual progress reports from Slovakia that shall contain, in particular, information about the progress in the implementation of the net expenditure path as set by the Council, and the implementation of broader reforms and investments in the context of the European Semester.

(44) In accordance with Article 17 of Regulation (EU) 2024/1263, the net expenditure path as set in the plan should be recommended by the Council to Slovakia.

HEREBY RECOMMENDS that Slovakia:

1. Ensure that net expenditure growth does not exceed the maxima established in Annex I to this Recommendation.

Done at Brussels,

For the Council
The President

Maximum growth rates of net expenditure

(annual and cumulative growth rates, in nominal terms)

Slovakia

Years		2025	2026	2027	2028
Growth rates (%)	Annual	3.8	0.9	1.6	1.5
	Cumulative*	10.3	11.2	13.0	14.8

* The cumulative growth rates are calculated by reference to the base year of 2023. The cumulative growth rates are used in the annual monitoring of ex-post compliance in the control account.